

Message Text

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C O N F I D E N T I A L WARSAW 1666

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TAGS: EIND, ENRG, EINV, PL, RO, UR, COMECON
SUBJ: POLISH-ROMANIAN ECONOMIC RELATIONS: COAL

REF: BUCHAREST 1078 AND PREVIOUS

1. WE HAVE THE FOLLOWING COMMENTS ON DIFFICULTIES IN POLISH-
ROMANIAN TRADE RELATIONS AS DESCRIBED BY THE POLISH DCM IN BUCHAREST
AND REPORTED IN REFTEL.

2. ALTHOUGH NO PUBLIC ANNOUNCEMENT OF ANY CHANGES IN GOP ECONOMIC
POLISY WAS MADE AT THE PZPR NATIONAL PARTY CONFERENCE IN JANUARY,
POLISH OFFICIALS, AND ESPECIALLY OUR CONTACTS ON THE PLANNING
COMMISSION, HAVE LET IT BE KNOWN THAT A SEVERE HOLD-DOWN ON IMPORTS
AND AN INCREASE IN EXPORTS IS AN ESSENTIAL STEP WHICH POLAND MUST
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TAKE TO FIND SOME WAY OUT OF ITS CURRENT ECONOMIC CUL-DE-SAC.
THIS POLISH IS, IN EFFECT, AN ACCELERATION OF THE "CONOMIC
MANEUVER" WHICH WAS LAUNCHED BY GIEREK IN DECEMBER 1976. THE MAIN
OBJECTIVE OF THE ECONOMIC MANEUVER -- TO CUT BACK ON NON-ESSENTIAL
INVESTMENTS, INCREASE EXPORTS AND ALSO INCREASE FOOD SUPPLIES,
CONSUMER GOODS AND HOUSING -- WAS RECONFIRMED AT THE RECENT PARTY
CONFERENCE.

3. AGAINST THIS BACKGROUND, COAL CONTINUES TO BE POLAND'S LEADING HARD-CURRENCY EXPORT. JUST AS THE SOVIETS DO THEIR BEST TO EXPORT ALL POSSIBLE CRUDE OIL FOR HARD CURRENCY AND RESENT HAVING TO SHIP OIL TO THEIR EAST EUROPEAN BRETHREN FOR TRANSFERABLE RUBLES, THE POLES TRY TO EXPORT AS MUCH COAL AS POSSIBLE TO WESTERN MARKETS AND AS LITTLE AS POSSIBLE TO EASTERN EUROPE. IN ACCITION, AS DO THE SOVIETS IN THE CASE OF OIL, THEY HAVE STEADILY RISING DOMESTIC DEMANDS, ESPECIALLY FROM ELECTRIC POWER PLANTS WHICH HAVE BEEN BUILT IN RECENT YEARS. FINALLY, THE POLES HAVE ANOTHER AND POTENTIALLY INCREASING DRAIN ON COAL EXPORTS -- THE SOVIET UNION. AT PRESENT THE SOVIETS TAKE ABOUT ONE-THIRD OF ALL POLISH COAL EXPORTS. WE SUSPECT THAT THIS PROPORTION MAY INCREASE OVER THE NEXT FEW YEARS. ONE INDICATION IS THAT POLISH COAL IN EXCHANGE FOR SOVIET MINING MACHINERY WAS A LEADING ISSUE IN TALKS WITH PREMIER JAROSZEWICZ HAD DURING HIS ECONOMIC DISCUSSIONS WITH KOSYGIN AND COMPANY LATE IN JANUARY.

4. BASED ON THE ABOVE, IT SEEMS TO US PROBABLY THAT, SYMPATHETIC AS THE POLES MAY BE CONCERNING ROMANIA'S INDEPENDENT POLITICAL POSITION TOWARD THE SOVIETS, PRESSURES ARE NOW SO GREAT THAT THEY ARE FORCED TO CANCEL PLANNED COAL DELIVERIES. ALTHOUGH COMMODITY EXCHANGE LISTS DRAWN UP FOR FIVE-YEAR AND ON-YEAR BILATERAL TRADE AGREEMENTS ARE USUALLY TARGETS THAT THAN FIRM CONTRACTS, THE APPARENT WARSAW DECISION TO CUT BACK IS NEVERTHELESS INTERESTING AS AN INDICATION OF THE LENGTHS TO WHICH THE GOP IS GOING TO MAINTAIN CONFIDENTIAL

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ITS NEW AUSTERITY.

5. WE ARE NOT QUITE AS OPTIMISTIC AS POLAND'S DCM IN BUCHAREST, ABOUT FUTURE PROSPECTS FOR LARGE COAL AND COKE EXPORTS TO ROMANIA FROM THE LUBLIN FIELDS (REF). ALTHOUGH WE HAVE SEEN NO REPORTING IN THE POLISH PRESS, THE NEW BROAD-GUAGE RAIL LINE BEING BUILT FROM THE SOVIET FRONTIER NEAR HRUBIESZOW TO THE KATOWICE STEEL MILL WILL HAVE A SPUR LINE TO LUBLIN. AFTER CONTRACTS HAVE BEEN ARRANGED WITH THE USSR FOR DELIVERY OF LUBLIN COAL TO PAY FOR SOVIET IRON ORE GOING TO KATOWICE, PERHAPS AMPLE SUPPLIES WILL BE AVAILABLE FOR THE ROMANIANS. THIS WILL BE A GOOD TEST OF THE VALIDITY OF "FRATERNAL SOCIALIST INTEGRATION". BROWN

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